The Commonwealth of Massachusetts
Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114
http://www.mass.gov/doer

PROGRAM OPPORTUNITY NOTICE (PON)

Qualified Energy Conservation Bonds

PON-ENE-2014-045

June 18, 2014

INTRODUCTION

Qualified Energy Conservation Bonds (QECBs) were authorized by Congress in the 2008 Energy Improvement and Extension Act. The original legislation authorized just $800 million of QECBs nationwide. In 2009, Congress increased to $3.2 billion the funding for states, territories, large local governments, and tribal governments to issue QECBs to finance renewable energy and energy efficiency projects. The total allocation was divided among the state and territorial issuers according to population. Massachusetts received a volume cap allocation of $67,413,000 based on its population as a percent of the population of the United States.

QECBs were created to promote investment in qualified energy projects. A QECB is a tax credit bond, which is a bond for which the borrower pays back the principal on the bond, and the bondholder receives federal tax credits in lieu of traditional bond interest payments. QECBs bear taxable interest and the obligor receives a subsidy directly from the federal government equal to 70% of the taxable interest cost, up to the U.S. Treasury maximum published interest rate.

PROGRAM OUTLINE

There have been four previous rounds of QECB awards made to both public and private projects:

- Round 1: May 2010 (PON-ENE-2010-024)
- Round 2: October 2011 (PON-ENE-2011-009)
- Round 3: January 2012 (PON-ENE-2012-001)
- Round 4: April 18, 2013 (PON-ENE-2013-070).

At the time of this Round 5 solicitation (PON-ENE-2014-045) Massachusetts has a **net total of at least $4,229,795 in remaining QECB allocation to award to public projects only**. Dependent upon unused QECB allocations that may be returned to the Commonwealth, DOER reserves the right to increase the total available QECB at any time.

DOER and A&F will award QECB to applicants submitting proposals that are complete and found to meet the program requirements on a **first-come, first-serve rolling basis** until all available QECBs are exhausted. The goal of the program will be to facilitate as many well-qualified projects possible within the available allocation. A "public project" under the QECB program is a project which provides a public benefit and where the public entity issues the QECB and incurs debt to finance this project. The purpose of this PON is to define the eligibility requirements and process for applying for the Commonwealth's remaining QECB allocation.

PROGRAM ADMINISTRATION

The Executive Office for Administration and Finance (ANF) and the Executive Office of Energy and Environmental Affairs (EOEEA) will distribute the Commonwealth's volume cap as well as the volume cap of Large Local Governments (a population of >100,000) that have chosen to reassign their cap to the Commonwealth. As provided in ***MA Executive Order 516***, MassDevelopment may issue the QECBs for governmental purposes on behalf of the Commonwealth and also on behalf of a large local government, if requested. MassDevelopment issues the QECBs that are private activity bonds.

FUNDING

Table 1 outlines the net Massachusetts QECB allocation of at least $4,229,795 available for distribution under this solicitation.

Table 1: Massachusetts QECB Allocations[1]

QECB Allocation $67,412,997

	Committed Allocations
Large Local Governments	$16,607,086
Awarded Public and Private Projects	$36,576,115
Reserved for US DOE funded program for schools and housing authorities*	$10,000,000

	Available State Allocations
Total Balance to State for further allocation to Public Projects	$4,229,796

[1] $10M of QECB allocation is earmarked for the SAPHIRE (Schools and Public Housing Integrating Renewables and Efficiency) program, aimed at increasing adoption of renewable thermal technologies in K-12 public schools and state public housing.

Seventy percent (70%) of the Commonwealth QECB allocation must be used for governmental purpose bonds; no more than 30% may be used for private activity bonds. The Commonwealth has awarded the maximum allowable private allocation of $15,241,773 under Rounds 1 and 2 of QECB solicitations. Table 1 shows the remaining balance of QECB allocation that is available for public activities only.

APPLICATION PROCESS AND REVIEW

Commonwealth Allocation Criteria

Projects will be evaluated based on the information provided in Appendices B, C, D, E, and F. The goal of the program will be to facilitate as many well-qualified projects possible within the available allocation. The Commonwealth will make allocations to public projects only according to the following priorities:

- Projects that meet critical energy needs and/or statewide energy conservation goals
- Projects that demonstrate readiness and feasibility
- Projects that promote or expand economic opportunities

100% of the available project proceeds of QECBs must be used for one of the following qualified conservation purposes:

A. Capital expenditures incurred for purposes of:
    a. Reducing energy consumption in publicly owned buildings by at least 20%;
    b. Implementing community-based green programs (including the use of loans, grants, or other repayment mechanisms to implement such programs);
    c. Rural development involving the production of electricity from renewable energy sources; or
    d. Any qualified facility as determined under Section 45(d) of the IRS Code except paragraphs 8 and 10. This includes wind, biomass, geothermal energy, solar energy and small irrigation power facilities.
B. Expenditures with respect to facilities or grants that support research in the development of cellulosic ethanol or other non-fossil fuels, technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels, increasing the efficiency of existing technologies for producing non-fossil fuels, automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation, and technologies to reduce energy use in buildings; or

C. Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting; or
D. Demonstration projects designed to promote the commercialization of green building technology, conversion of agricultural waste for use in the production of fuel or otherwise, advanced battery manufacturing technologies, technologies to reduce peak use of electricity, and technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity; or
E. Public education campaigns to promote energy efficiency.

QECB applicants are urged to consult with their bond counsel and financial advisor to determine the appropriateness of QECBs for their projects.

Questions should be submitted electronically to Elise.anderson@state.ma.us. Question and Answers will be posted regularly on the DOER web site at http://www.mass.gov/eea/grants-and-tech-assistance/guidance-technical-assistance/agencies-and-divisions/doer/doer-procurements.html

ATTACHMENT I:
Commonwealth of Massachusetts
APPLICATION FOR QECB ALLOCATION

Borrower	Contact Name (print)
Street Address	Contact Title
City/Town County Zip Code	Contact Telephone
Borrower Bond Rating	Contact Email
Amount of QECB allocation requested	

INSTRUCTIONS

1. Applicants must complete all required sections in ordered to be considered for an allocation award.
2. DOER will begin accepting applications on **Thursday, July 17, 2014**
4. All applications will be reviewed and applicants will be notified of award status on a rolling first-come, first-serve basis for applications deemed complete and in compliance with program guidelines by the review committee.
5. One electronic copy of the application must be submitted to Elise Anderson at: Elise.anderson@state.ma.us and one unbound hardcopy of the application must be submitted to the following address:

Elise Anderson
Department of Energy Resources
100 Cambridge Street, Suite 1020

Boston, MA 02114
ATTN: Elise Anderson, Program Coordinator

1. Check the category or categories into which your project fits (per QECB legislation).

☐ Capital expenditures incurred for purposes of (indicate one)

- ☐ Reducing energy consumption in publicly owned buildings by at least 20%
- ☐ Implementing community-based green programs (including the use of loans, grants, or other repayment mechanisms to implement such programs)
- ☐ Rural development involving the production of electricity from renewable energy sources
- ☐ Any qualified facility under Section 45(d) of the IRS Code except paragraphs 8 and 10.[2] Other qualified purposes include geothermal, small irrigation power facilities, landfill gas facilities, trash to energy facilities, hydropower facilities, marine & hydrokinetic renewable energy facilities, and research activities, demonstration projects, and public education campaigns.[3]

☐ Expenditures with respect to facilities or grants that support research in (indicate one or more)

- ☐ Development of cellulosic ethanol or other non-fossil fuels
- ☐ technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
- ☐ Increasing the efficiency of existing technologies for producing non-fossil fuels
- ☐ Automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation
- ☐ Technologies to reduce energy use in buildings

☐ Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting

[2] MA DEP Bureau of Waste Prevention, (617)292-5500 must be consulted regarding any proposed waste-to-energy project to ensure it does not violate the Mass Moratorium.

[3] See 26 USC 54D for exact language.

☐ Demonstration projects designed to promote the commercialization of (check one or more)

- ☐ Green building technology
- ☐ Conversion of agricultural waste for use in the production of fuel or otherwise
- ☐Advanced battery manufacturing technologies
- ☐ Technologies to reduce peak use of electricity
- ☐ Technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity
- ☐ Public education campaigns to promote energy efficiency.

APPENDIX A
CERTIFICATION OF APPLICATION

The Chief Executive Officer must complete this Certification:

I, _____ am authorized to execute said Application on behalf of _____, the applying local governmental entity and verify that the information in this Application is true.

_____
[Signature of Chief Executive Officer]

_____
[Title of Chief Executive Officer]

_____
[Date]

I. **NOTE:** THE CHIEF EXECUTIVE OFFICER IS DEFINED AS THE MANAGER IN ANY CITY HAVING A MANAGER AND IN ANY TOWN HAVING A CITY FORM OF GOVERNMENT, THE MAYOR IN ANY OTHER CITY, AND THE BOARD OF SELECTMEN IN ANY OTHER TOWN UNLESS SOME OTHER OFFICER OR BODY IS DESIGNATED TO PERFORM THE FUNCTIONS OF A CHIEF EXECUTIVE OFFICER UNDER THE PROVISIONS OF A LOCAL CHARTER OR LAWS HAVING THE FORCE OF A CHARTER.

APPENDIX B
PROJECT NARRATIVE

Describe the scope of the project proposed and demonstrate shovel-readiness.
NOTE: Only projects that can close on QECBs within 6 months of award should apply.

Describe how your project meets one or more of the following priorities for allocation selection:

- Meets critical energy needs and/or statewide energy conservation goals
- Demonstrates readiness and feasibility
- Promotes or expands economic opportunities

Include the following:

- Physical address of the project site(s)
- Identify the community or entity to be served,
- Any applicable feasibility studies, site analyses, audits/assessments, design documents, contracts, or construction schedules.
    - For proposed renewable energy projects: Please provide documentation demonstrating the availability of the renewable resource identified in this application. For example, if the applicant is pursuing a wind project, please provide relevant analysis that supports the siting of wind in the location identified (e.g. wind map information, Met tower data).
    - Please include a detailed explanation of assumptions and show impact of different assumptions (e.g., for wind project, P50 vs. P90 analysis).
- Procurement status
- Detailed information about required project approvals received to date and status of any outstanding project approvals and anticipated timeline for all necessary approvals, e.g. permitting, municipal authorizations, utility interconnection, etc
- Project Schedule, noting how the QECB can close within 6 months
- Confirm that this is a governmental public purpose project.

APPENDIX C
PROJECTED ENERGY IMPACT

Please provide quantified projected reductions in energy consumption or renewable energy generation capacity and the resulting reductions in greenhouse gas for the proposed project. Please provide the basis for these projections (eg audit, feasibility study, etc)

- PLEASE NOTE: Per the federal requirements of the QECB program, projects for reducing energy consumption in publicly owned buildings must reduce consumption by at least 20%.
- Energy savings can be measured building by building or across all the buildings improved with the QECB proceeds. They can also be measured by a component or multiple components of the energy system of the building or buildings in question (e.g., HVAC, hot water, lighting, building envelope, or "plug load" due to items plugged into outlets such as refrigerators).
- The issuer must "reasonably expect" that the capital expenditures to be financed with the bond proceeds will result in a 20 percent or greater reduction in energy consumption for the selected building, buildings or building system component using a "common energy unit" such as a MMBtu (one million British thermal Units). (See Appendix F "Statement of Expected Savings")

APPENDIX E
BUDGET / FINANCING

Please provide a complete accounting of the proposed budget for the project. Include:

- Project budget with cost estimates/quotes,
- Other sources of funding and financial/payback analysis. Please not whether or not the other sources of funding for the project are committed.
- Anticipated financing plan demonstrating that the project will be able to obtain financing within 6 months (e.g., commitment or letter of interest from investor indicating interest in purchasing the QECBs, letter from bond underwriter indicating interest and why/how they believe the project is financeable, etc.).
- For any projects planning to sell power under a Power Purchase Agreement (PPA), please provide evidence that there is a customer for the power generated.

APPENDIX F:
STATEMENT OF EXPECTED SAVINGS

A Qualified Professional Engineer certifying reasonable expectation of 20% or greater energy savings based on an ASHRAE Level 3 audit or through use of DOE-approved software tool.

Name: _____
Address: _____
Phone: _____

I certify that the expected percentage of energy savings from the capital expenditures financed with Qualified Energy Conservation Bonds for the measurement unit and measurement time specified by the issuer is at least 20 percent.

Address of the building(s) (and description of component(s), if applicable) to which the certification applies:

_____
_____

Qualified Professional Engineer must initial and complete one or more of the following statements:

____ (1) I conducted an ASHRAE level 3 energy audit to estimate the expected savings from planned improvements that will be financed through the qualified energy conservation bond.

____ (2) I used a qualified computer software for calculating commercial building energy and power cost savings that meet federal tax incentive requirements as listed by Department of Energy's Building Technology Program to estimate the expected savings from planned improvements that will be financed through the qualified energy conservation bond. The name and version of the software is:

_____

Under penalties of perjury, I declare that I have examined this certification, including supporting documents, and to the best of my knowledge and belief, the facts presented in support of this certification are true, correct, and complete.

Professional Engineer License # and State: _____

Signature of Professional Engineer: _____

Date Signed: _____